

**REPORT OF THE AUDIT OF THE
FORMER BOURBON COUNTY
SHERIFF**

**For The Period
January 1, 2006 Through November 30, 2006**



**CRIT LUALLEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE FORMER BOURBON COUNTY SHERIFF

**For The Period
January 1, 2006 Through November 30, 2006**

The Auditor of Public Accounts has completed the former Bourbon County Sheriff's audit for the period January 1, 2006 through November 30, 2006. Based upon the audit work performed, the financial statement presents fairly, in all material respects, the revenues, expenditures, and excess fees in conformity with the regulatory basis of accounting.

Financial Condition:

Excess fees decreased by \$25,275 from the prior year, resulting in excess fees of \$8,534 for the period January 1, 2006 through November 30, 2006. Revenues decreased by \$11,987 from the prior year and expenditures increased by \$13,288.

Report Comment:

Timesheets Should Be Maintained For All Employees

Deposits:

The former Sheriff's deposits were insured and collateralized by bank securities or bonds.

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CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie Foley, Bourbon County Judge/Executive
The Honorable Mark Matthews, Former Bourbon County Sheriff
Members of the Bourbon County Fiscal Court

Independent Auditor's Report

We have audited the accompanying statement of revenues, expenditures, and excess fees - regulatory basis of the former Sheriff of Bourbon County, Kentucky, for the period January 1, 2006 through November 30, 2006. This financial statement is the responsibility of the former Sheriff. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for County Fee Officials issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the Sheriff's office prepares the financial statement on a regulatory basis of accounting that demonstrates compliance with the laws of Kentucky, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the revenues, expenditures, and excess fees of the former Sheriff for the period January 1, 2006 through November 30, 2006, in conformity with the regulatory basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated June 20, 2007 on our consideration of the Sheriff's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



The Honorable Donnie Foley, Bourbon County Judge/Executive
The Honorable Mark Matthews, Former Bourbon County Sheriff
Members of the Bourbon County Fiscal Court

Based on the results of our audit, we have presented the accompanying comment and recommendation, included herein, which discusses the following report comment:

- Timesheets Should Be Maintained For All Employees

This report is intended solely for the information and use of the Sheriff and Fiscal Court of Bourbon County, Kentucky, and the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these interested parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 20, 2007

BOURBON COUNTY
 MARK MATTHEWS, FORMER SHERIFF
STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS

For The Period January 1, 2006 Through November 30, 2006

Revenues

Federal Grants		\$	1,140
State - Kentucky Law Enforcement Foundation Program Fund			13,773
State Fees For Services:			
Finance and Administration Cabinet	\$	79,716	
Cabinet For Human Resources		<u>1,186</u>	80,902
Circuit Court Clerk:			
Sheriff Security Service		29,335	
Fines and Fees Collected		<u>4,192</u>	33,527
County Clerk - Delinquent Taxes			763
Commission On Taxes Collected			233,003
Other Fees On Tax Collections:			
Sheriff's Penalty On Taxes		30,270	
Advertising Fees		<u>3,745</u>	34,015
Fees Collected For Services:			
Auto Inspections		6,725	
Accident and Police Reports		437	
Serving Papers		27,300	
Carrying Concealed Deadly Weapon Permits		6,326	
Miscellaneous		<u>7,599</u>	48,387
Interest Earned			9,804
Borrowed Money:			
State Advancement		142,000	
Bank Note		<u>10,000</u>	<u>152,000</u>
Total Revenues			<u>607,314</u>

The accompanying notes are an integral part of this financial statement.

BOURBON COUNTY
 MARK MATTHEWS, FORMER SHERIFF
 STATEMENT OF REVENUES, EXPENDITURES, AND EXCESS FEES - REGULATORY BASIS
 For The Period January 1, 2006 Through November 30, 2006
 (Continued)

Expenditures

Operating Expenditures and Capital Outlay:

Personnel Services-

Deputies' Salaries	\$ 111,722
Part-Time Salaries	2,070
Other Salaries	38,024
Bailiff's Salary	62,740
KLEFPF	11,041

Employee Benefits-

Employer's Share Social Security	21,107
Employer's Share Hazardous Duty Retirement	28,131

Contracted Services-

Advertising	3,975
Vehicle Maintenance and Repairs	5,838
Payroll Processing	2,208

Materials and Supplies-

Office Materials and Supplies	12,712
Uniforms	5,415

Auto Expense-

Gasoline	24,373
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Other Charges-

Conventions and Travel	2,229
Dues	1,021
Telephone	8,166
Computer	1,042
Bond	610
Carrying Concealed Deadly Weapon Permits	3,460
Miscellaneous	7,014
Courtroom Security	217
Law Enforcement Equipment	25,523
Transport Prisoners	1,277
	<hr/>
	\$ 379,915

Debt Service:

State Advancement	142,000	
Notes	10,000	152,000
	<hr/>	<hr/>

Total Expenditures		<hr/> 531,915
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The accompanying notes are an integral part of this financial statement.

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BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT

For The Period January 1, 2006 Through November 30, 2006

Note 1. Summary of Significant Accounting Policies

A. Fund Accounting

A fee official uses a fund to report on the results of operations. A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to demonstrate legal compliance and to aid financial management by segregating transactions related to certain government functions or activities.

A fee official uses a fund for fees to account for activities for which the government desires periodic determination of the excess of revenues over expenditures to facilitate management control, accountability, and compliance with laws.

B. Basis of Accounting

KRS 64.820 directs the fiscal court to collect any amount, including excess fees, due from the Sheriff as determined by the audit. KRS 134.310 requires the Sheriff to settle excess fees with the fiscal court at the time he files his final settlement with the fiscal court.

The financial statement has been prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this regulatory basis of accounting revenues and expenditures are generally recognized when cash is received or disbursed with the exception of accrual of the following items (not all-inclusive) at December 31 that may be included in the excess fees calculation:

- Interest receivable
- Collection on accounts due from others for 2006 services
- Reimbursements for 2006 activities
- Tax commissions due from December tax collections
- Payments due other governmental entities for payroll
- Payments due vendors for goods or services provided in 2006

The measurement focus of a fee official is upon excess fees. Remittance of excess fees is due to the County Treasurer in the subsequent year.

C. Cash and Investments

At the direction of the fiscal court, KRS 66.480 authorizes the Sheriff's office to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
For the Period January 1, 2006 Through November 30, 2006
(Continued)

Note 2. Employee Retirement System

The county officials and employees have elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost-sharing, multiple-employer, defined benefit pension plan that covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members.

Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5.0 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 10.98 percent for the first six months and 13.19 percent for the last six months of the year. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 25.01 percent for the first six months and 28.21 percent for the last six months of the year.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information pertaining to CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report which is a matter of public record. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, Kentucky 40601-6124, or by telephone at (502) 564-4646.

Note 3. Deposits

The former Sheriff maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the Sheriff and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the Sheriff's deposits may not be returned. The former Sheriff did not have a deposit policy for custodial credit risk but rather followed the requirements of KRS 41.240(4). As of November 30, 2006, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.

BOURBON COUNTY
NOTES TO FINANCIAL STATEMENT
For the Period January 1, 2006 Through November 30, 2006
(Continued)

Note 4. Grant

The Sheriff's office received federal grant proceeds from the Kentucky State Police Governor's Highway Safety Program in the amount of \$1,140 for reimbursement for overtime expenses incurred from participating in the statewide law enforcement mobilization.

Note 5. Drug Forfeiture Account

The Bourbon County Sheriff's office maintains a drug forfeiture account. This account is funded by proceeds from the confiscation, surrender, or sale of real and personal property involved in a drug related conviction. This account had a beginning balance of \$2,787 and earned \$105 in interest from investment of these funds. The former Sheriff spent \$977 of these funds to purchase uniforms and law enforcement equipment for the Sheriff's office. As of November 30, 2006, the ending balance was \$1,915.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Donnie Foley, Bourbon County Judge/Executive
The Honorable Mark Matthews, Former Bourbon County Sheriff
Members of the Bourbon County Fiscal Court

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards

We have audited the statement of revenues, expenditures, and excess fees - regulatory basis of the former Bourbon County Sheriff for the period January 1, 2006 through November 30, 2006, and have issued our report thereon dated June 20, 2007. The Sheriff's financial statement is prepared in accordance with a basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the former Bourbon County Sheriff's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statement and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statement being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the former Bourbon County Sheriff's financial statement for the period January 1, 2006 through November 30, 2006, is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under Government Auditing Standards and which is described in the accompanying comment and recommendation.

- Timesheets Should Be Maintained For All Employees



Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

This report is intended solely for the information and use of management, the Bourbon County Fiscal Court, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen
Auditor of Public Accounts

June 20, 2007

COMMENT AND RECOMMENDATION

BOURBON COUNTY
MARK MATTHEWS, FORMER SHERIFF
COMMENT AND RECOMMENDATION

For The Period January 1, 2006 Through November 30, 2006

STATE LAWS AND REGULATIONS:

Timesheets Should Be Maintained For All Employees

Timesheets were not maintained by the Sheriff's office. KRS 337.320 states every employer shall keep a record of the hours worked each day and each week by each employee. Timesheets are also necessary to document eligibility for employee benefits such as retirement and overtime. Timesheets should be kept for payroll verification and as a record of vacation and sick time earned and used. The employee and the appropriate supervisor should review and sign all timesheets. We recommend the Sheriff's office maintain time records properly for all employees.

Former Sheriff's Response:

Timesheets are currently being used.

